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Army, Navy, DIA, JCS and State
Department review(s) completed.

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[Redacted]

EUROPE-AFRICA

2. USSR: Stalin refuses wheat for UNRRA--To President Truman's request that the Soviets sell wheat to UNRRA

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Stalin has replied: (a) if the request had been made three months ago "the Soviet Union could have done something;" (b) the resources of the USSR have "come to an end" as a result of allotments to France and other countries; and (c) the USSR agrees in principle to coordination with other countries exporting grain, but the matter "demands special study."

3. CZECHOSLOVAKIA: Delay of loan until after elections urged--Ambassador Steinhardt "urgently recommends" that announcement of the proposed \$50 million Export-Import Bank loan to Czechoslovakia be postponed until after the 26 May elections. He believes that the Communist Party would immediately claim that the loan was the result of its efforts and thereby gain a decided political advantage. Transportation difficulties probably will prevent the arrival of Soviet wheat before the elections

25X1

4. HUNGARY: Coalition cabinet threatened by Transylvania award--According to Minister Schoenfeld, the action of the Council of Foreign Ministers in awarding all of Transylvania to Rumania has seriously weakened Premier Nagy's coalition cabinet. The cabinet had made considerable concessions to the Hungarian Communists in the expectation that the latter could obtain Soviet support for Hungary in the peace settlement. Schoenfeld reports that the possible fall of the Nagy cabinet is being openly discussed.

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NO CHANGE in Class.

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Date: 1 MAR 1978

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5. GERMANY: Byrnes' comments on State Department's plan--Byrnes has informed the State Department, after consulting with General Clay on the Department's economic plan for Germany [redacted]

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[redacted] of his belief that nothing is to be gained by resuming reparations deliveries, even if the Soviets agree to negotiate a common export-import program. (Clay feels that the Soviet opposition to a common program is weakening.) Byrnes adds that "prospects are not bright" for the solution of the problem of the political separation of the Ruhr.

6. SPAIN: Position of the Giral government-in-exile--Embassy London reports that, according to two "associates of Giral," the Spanish "government-in-exile" (a) believes that if the US and UK recognize it, a group of generals will seize power from Franco; (b) has no objection to this seizure for the period necessary for the Giral organization (or another Republican Government) to take over; (c) is ready to assume a "firm obligation to hold an immediate plebiscite;" (d) is not interested in "collecting eastern recognitions," but considers that delay in recognition by the US and UK "must inevitably weaken resistance to eastern influence;" and (e) desires "pacification" and not revenge.

7. LEBANON: Soviet interest in Arab unrest--According to Minister Wadsworth, Lebanese Foreign Minister Frangie fears that the US is "playing into the hand of Russian policy designed to make of Palestine a focus of conflagration in the Arab world."

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[redacted] According to Frangie, the Soviet Minister had called on him to ask what Lebanon "was going to do about the Commission's recommendations," and, when asked about Soviet policy, referred to Stalin's 1 May speech which affirmed support for the independence of dependent peoples." Frangie assured Wadsworth that while the report "has suited only the Russian book," both Syria and Lebanon are convinced the best interests of the Arab states are based on an understanding with the Anglo-Saxon powers.

8. IRAN: Soviet withdrawal genuine but late--According to Acting US Consul Tabriz and Assistant US Military Attaché Tehran, all reports available in Tabriz indicate that the Soviet withdrawal appears genuine, though late, and therefore in violation of the Soviet pledge to withdraw by midnight 6 May.

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FAR EAST

9. SIAM: Negotiations with French stalemated--Legation Bangkok reports that border incidents are likely to increase, since French troops are fighting with the Indochinese along the Siamese border and many Indochinese are seeking and obtaining refuge in Siam. The Legation believes that any further negotiations between the French and Siamese will be fruitless. The French declare that they cannot "wait indefinitely" while the Siamese "consolidate their position in disputed territories" but "may have to take action" before the heavy rains in July. The Siamese Government considers that it would commit political suicide if it acceded to retrocession of territory without compensation.

The Legation expresses its concurrence with a proposal of the Siamese Foreign Minister that the US and UK (a) jointly reaffirm to the Siamese Government their policy on the border issue, (b) ask that the territories which Indochina "ceded" to Thailand be returned at once, and (c) promise to do everything possible to insure that, after the return of the territories, the Siamese case is given a fair hearing by the UN.

10. INDOCHINA: French assume responsibility for Japanese--JCS reports that the French authorities have agreed to accept complete responsibility for all matters affecting the disarmament and repatriation of Japanese in French Indochina as of midnight 13 May 1946.

11. CHINA: Transfer of US vessels--The Commander, Seventh Fleet, reports the following schedule for the transfer of US Naval landing craft to the Chinese: (a) 14 vessels by 15 June; (b) 24 vessels by 25 June; and (c) 50 additional vessels during July.

THE AMERICAS

12. ARGENTINA: Wheat for Belgian TNT--When Ambassador Kirk in Brussels asked whether a Belgian shipment of 1,000 tons of TNT to Argentina (in return for 25,000 tons of wheat) could be stopped, he was told by Premier Spaak that half the wheat was already in transit and the TNT must therefore be shipped. Charge Cabot in Buenos Aires reports that as a result of US objections Argentina "no longer wishes" 1,000 tons of TNT, but will import 400 tons.

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